

**CITY OF VINELAND  
DEPARTMENT OF LAW  
RICHARD P. TONETTA, ESQUIRE  
Director and City Solicitor**

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January 7, 2014

TO : Council President Fanucci and Members of City Council  
FROM: Richard P. Tonetta, Esquire  
RE : Subordination – 43 S. Myrtle Street

Dear Council President Fanucci and Council Members:

The City has received a request to subordinate existing Community Development Mortgage to a new first mortgage on the above property.

The homeowner had received a HOAP loan from the City in the amount of \$2,500.00 on April 3, 2007, which was used towards the acquisition of the residence. This is a “0” interest “0” pay loan. At the time of purchase, the home had a value of \$159,900.00 and the purchaser had a first mortgage of \$127,600.00 and with a present payoff of approximately \$119,000.00 and a second mortgage of approximately \$14,800.00. The total monthly payment of principal and interest for the two loans is \$1,044.00.

Since this market adjustment, present value of the home is \$98,200.00. Clearly, the loan to value is negative. Under the Government sponsored HARP program, a homeowner may refinance to get a better interest rate and monthly payment even if the loan is greater than value.

The applicant wishes to refinance the first mortgage with a loan in the amount of \$124,200.00 which will pay-off the first mortgage plus closing costs. Therefore, the total mortgage amount to which we are requested to subordinate is \$124,200.00 plus \$14,800.00 on the second priority mortgage for a total of \$139,000.00. Presently, we are subordinate to \$133,800.00. As such, our position will be approximately \$5,000.00 more than presently.

In either event, there is no equity in the home and should the homeowner bankrupt, our chances of collection are nil. However, this will reflect a new monthly payment to the homeowner of \$833.63, a savings of approximately \$200.00 per month.

As our position is such that in the event of a default, the City will not recoup its loan whether we permit the subordination or not, and the new transaction will help the homeowner meet his obligations, I would recommend the subordination.

**Very truly yours,**

**Richard P. Tonetta, Esq.**  
**Solicitor, City of Vineland**

RPT/sl

Cc: Carmen Oldknow, Community Development Program  
William Lutz, Business Administrator